

The Bush Legacy: The New Investor Class

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| | 2001 | Latest Year | Forward Est. |
|---|--|--|--|
| <i>Shareholders</i> | 48% of households 50 mil households 80 mil people | 51% of households 58 mil households 92 mil people | Pension Protection Act auto features are estimated to enroll 92% of employees into 401(k) plans if their workplace has one. Universal auto-enrollment would mean an increase of 21 million 401(k) participants. This would mean roughly 75% of households (125 million people, 80 million households) will become shareholders by 2015. |
| <i>IRAs</i> | \$2.6 trillion 43 million owners 39.7% of households \$2000 limit | \$4.2 trillion 47 million owners 42% of households \$5000 limit (plus \$1000 catch-up) | Auto-rollover in PPA means that workers are likely to have an IRA if they switch jobs. Assuming all new 401(k) participants are auto-rolled over, this could mean a total of 68 million IRA owners representing 65% of all households by 2015. |
| <i>DC Pensions</i> | \$2.7 trillion 51 million participants \$43,215 average balance \$10,500 deferral \$35,000 max contrib. no catch up | \$4.1 trillion 55 million participants \$61,346 average balance \$15,500 deferral (plus \$5000 catch-up) \$45,000 max contrib | 92% of eligible employees participating would mean 76 million participants. Assuming growth from the last decade, there will be \$9 trillion in assets with an average balance of \$115,000 by 2015. Higher deferral, contribution, and catch-up limits were all made permanent by the PPA. Plans are increasingly characterized by auto-features, lifecycle funds, and lower costs. |
| <i>529 Plans</i> | 2.6 million \$15.6 billion | 9.3 million \$105.7 billion | PPA made 529 plan tax rules permanent. Data is sketchy, but Vanguard (custodian of 8 state plans) has said their plan growth went from \$13 billion in 2005 to \$20 billion in 2006. |
| <i>DC Auto-Features</i> | 7.4% auto-enroll 32.1% lifecycle funds | 16.9% auto-enroll 48.5% lifecycle funds | Some have estimated that about four in five 401(k) plans will have auto-features by 2015. Virtually all 401(k) plans will have lifecycle funds as their default investment option by 2015, assuming DOL regulations on the matter are as expected. |
| <i>HSA's</i> | A few hundred thousand Archer MSAs with few assets to speak of | 4.5 million covered lives \$6.4 billion in assets \$1420 avg. balance | According to the Consumer Driven Health Care Institute, 2007 will see 8 million covered lives (4% market share) with \$13.6 billion in assets and an average account balance of \$1685 |
| <i>State and Local Employees Participating in DC Plan</i> | 9% | 14% | Tax Increase Prevention Act of 2005 requires state and local disclosure of government pension insolvency, creating DC pressures here. States will want to shed themselves of these plans in the same way that old-economy industries have shed DB pensions of their own. |

N.B. All sources not otherwise cited from above are from Investment Company Institute and Employee Benefits Research Institute documents.